

Written 9 May 2022

## **BUSINESS NEWS ENGLAND**

Welcome to our round up of the latest business news for our clients. Please contact us if you want to talk about how these updates affect your business. We are here to support you!

### **How much is my business worth?**

This is a question many of our clients want answering! The truth is it depends on a range of factors and any valuation is only useful as a guide for planning forward. The ultimate value of a business is the price a willing buyer is prepared to pay for it.



The prevailing economic climate and state of the business' sector can affect company valuation for better or worse, as can your reasons for selling. If you need a fast sale due to ill health, for instance, the value may be lower than if a sale was taking place under more favourable circumstances.

Valuing a business is a complex process and we are available to support you throughout.

So, what are the most common methods of valuing a business?

#### Price to earnings ratio (P/E)

The price to earnings ratio uses multiples of profit, so may be an appropriate valuation method if you own a well-established business with a good track record of

profits. 'Price' refers to the company's current share price, and 'earnings' to the earnings per share (EPS). The P/E ratio indicates the business' expected growth in earnings per share in the future.

### Discounted cash flow

Discounted cash flow relies on estimating future cash flows for the company, and a residual business value, and may be suited to businesses with few assets.

### Entry cost

Entry cost valuation involves calculating how much it would cost to build your business to the stage that it's reached now, including Start up and recruitment costs, marketing, and the value of assets. Any savings that could have been made should then be deducted to arrive at the valuation.

### Asset valuation

The asset valuation method may be suitable if your business is well established and owns high levels of tangible assets. The Net Book Value (NBV) of assets is calculated, and then adjusted to take account of external factors such as depreciation and inflation.

### Valuation based on industry

Some businesses are valued based on the industry in which they operate. The retail industry is one such example, where the number of outlets is an important element for consideration. Industry 'rules of thumb' use factors specific to an industry and can provide a more accurate calculation in some cases.

### Other considerations when valuing your business

Intangible assets are a key factor when valuing a business. Intellectual property, goodwill, business reputation, and even a premium business location, can all add considerable value in the eyes of potential purchasers.

Spotlighting these intangible assets also allows you to improve their value where appropriate – for example, registering ownership of a trademark or patent, building up their reputation even further, or improving the condition of their premises.

[Please talk to us about valuing your business as this can lead to a range of important considerations and actions.](#)

## **Off-payroll working rules (IR35)**

It has been over one year since the [off payroll working rules \(IR35\)](#) changed in the private and voluntary sectors.

Some organisations who engage contractors in those sectors who didn't need to apply the rules for 2021-22 as they did not meet the size conditions — may now need to apply the rules.

Ensure you check the [Employment Status Manual](#) for whether the rules apply to your business every year.

This is particularly true if you have:

- become a newly formed business
- been bought by another organisation
- grown in size over the last few years

If you are new to the rules, you should find it helpful to read the [steps needed to implement off-payroll working rules](#).

Please talk to us if you need help in this complicated area.

See: [Agent Update: issue 95 - GOV.UK \(www.gov.uk\)](#)

### **Do you know of anyone starting a business?**

Then ask us about our comprehensive guide to the financial, tax and accounting considerations of starting a business, “The New Business Kit,” which we offer free to start ups or those who have recently made the jump into business ownership.

## **New Business Kit 2022/23**

### **The Financial, Tax and Accounting Considerations of Starting a New Business**

With this handy reference guide to starting a business, you should be able to successfully handle many of the problems encountered in starting and running a business. Always remember to seek professional advice in areas that you are not sure about. The benefits will far outweigh the cost. Good luck!



The guide helps start-ups think about:

- Selecting a legal entity;
- Registering with the tax authorities;
- Accounting and bookkeeping;
- Value Added Tax;
- Payroll taxes and pensions;
- Income and corporation tax;
- Cash planning and forecasting;
- Insurance;
- Selecting professional advisers; and
- Digital accounting systems.

In addition there is a section of useful names, addresses and telephone numbers.

Just ask – it is free!

### **Import controls delayed for this year**

The remaining import controls on EU goods will no longer be introduced this year, instead, traders will continue to move their goods from the European Union to Great Britain as they do now.

Russia's invasion of Ukraine, and the recent rise in global energy costs, have had a significant effect on supply chains that are still recovering from the pandemic.

The government has concluded that it would be wrong to impose new administrative requirements on businesses who may pass-on the associated costs to consumers already facing pressures on their finances.

There will now be a review how to implement the remaining controls in an improved way. The new Target Operating Model will be based on a better assessment of risk and will use data analytics and technology. It will be published in the Autumn and the new controls regime will come into force at the end of 2023.

This process will build on existing work already taking place as part of the 2025 Border Strategy, including on the UK Single Trade Window – a new digital platform that will help traders to move goods more easily. The goal is to create a seamless new 'digital' border, where technologies and real-time data will cut queues and smooth trade.

The controls introduced in January 2021 on the highest risk imports of animals, animal products, plants and plant products will continue to apply alongside the customs controls which have already been introduced.

See: [New approach to import controls to help ease cost of living - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

### **The British Business SME Awards 2022**

Now in their fifth year, the awards have recognised and celebrated the innovative and outstanding achievements of small and medium size British businesses across all industries.

The British Business Awards offers you and your colleagues the opportunity to gain the industry and country-wide recognition you deserve.

These awards are open to any businesses in the UK which fall within the traditional definition of an SME – namely up to 250 employees. Ideally the business should have been trading at least since January 2020, but the judges will consider younger businesses formed after this date. The awards are also open to those service providers and investors who help create the ‘eco-system’ which enabled SMEs to flourish and survive particularly over the last two years.

Nominations will close on 27 May 2022.

See: [Advice and Ideas for UK Small Businesses and SMEs](#)

### **SBRI Competition Rail Demonstrations**

Organisations can apply for a share of up to £7.6 million (inclusive of VAT) to develop demonstrators that enable lower emissions and a greener railway, innovations in rail freight, and cost efficiencies and performance priorities for a reliable railway.

This competition aims to demonstrate innovations to stakeholders and railway customers in a representative railway environment. This is a Small Business Research Initiative (SBRI) competition funded by the Department for Transport (DfT).

This competition is part of a wider ‘First of a Kind’ demonstrator initiative, on behalf of the DfT, to accelerate innovation in the UK rail sector and enable technologies to be readily and efficiently integrated into the railway system.

See: [SBRI: the Small Business Research Initiative - GOV.UK \(www.gov.uk\)](#)

### **Net Zero Hydrogen Fund Competitions**

The Department for Business, Energy and Industrial Strategy (BEIS) has launched The Net Zero Hydrogen Fund (NZHF), worth up to £240 million.

The NZHF will provide capital and development expenditure to support the commercial deployment of new low carbon hydrogen production projects. The aim is to ensure the UK has a diverse and secure decarbonised energy system to meet the

Government's ambitions of reaching net zero by 2050 and 10 gigawatts of low carbon hydrogen production by 2030.

#### Strand 1 - Development Expenditure (DEVEX)

This competition will support DEVEX costs for front end engineering design (FEED) and post-FEED studies, aiming to build the pipeline of hydrogen production projects and measurably move them closer to deployment. The competition supports multiple hydrogen production pathways. Industrial research projects will be funded to support preparation for deployment.

Strand 1 applications will stay open until 11:00 on Wednesday 22 June 2022.

See: [Competition overview - Net Zero Hydrogen Fund – Strand 1 Development Expenditure \(DEVEX\) - Innovation Funding Service \(apply-for-innovation-funding.service.gov.uk\)](#)

#### Strand 2 - Capital Expenditure (CAPEX)

This competition will provide CAPEX to support low carbon projects to take a Final Investment Decision (FID). Projects must not require support from a hydrogen business model. The competition supports multiple hydrogen production pathways. Capital projects which do not require support from a Hydrogen Business Model will be funded. Projects must address low carbon hydrogen production opportunities and must focus on construction of new low carbon hydrogen production facilities.

Strand 2 applications will stay open until 11:00 on Wednesday 6 July 2022.

See: [Competition overview - Net Zero Hydrogen Fund – Strand 2 – Capital expenditure \(CAPEX\) - Innovation Funding Service \(apply-for-innovation-funding.service.gov.uk\)](#)

### **Automotive Transformation Fund Scale up Readiness Validation**

The Automotive Transformation Fund is delivered by the Advanced Propulsion Centre (APC) and partners, Innovate UK, the Department for Business, Energy and Industrial Strategy (BEIS) and Department for International Trade (DIT). It supports the industrialisation at scale of a high-value electrified automotive supply chain in the UK.

APC is seeking proposals from single organisations or consortiums with R&D projects validating readiness for scale up through pilot production, with a maximum grant request of £2 million.

These projects must produce physical production samples, of a quantity and quality which supports the case for the commercial viability of scale up in the UK. It may include samples to validate technical qualification.

The resulting projects must support the UK automotive industry in:



- increasing business confidence in making large scale manufacturing investments
- building electrified vehicle supply chains

The competition closes 25 May 2022.

See: [Competition overview - Automotive Transformation Fund Scale up Readiness Validation \(SuRV\) - Innovation Funding Service \(apply-for-innovation-funding.service.gov.uk\)](#)

### **The Queen's Awards for Enterprise open for 2022**

The Queen's Awards for Enterprise recognise and encourage the outstanding achievements of UK businesses in the fields of:

- innovation
- international trade
- sustainable development
- promoting opportunity (through social mobility)

Businesses of all sizes and from all sectors can apply. The awards are free to enter, and you can apply for more than one award.

See: [The Queen's Awards for Enterprise: About the awards - GOV.UK \(www.gov.uk\)](#)